

Minutes Of The Board Of Trustees City Of Cincinnati Retirement System October 6, 2005

The Chairman called the meeting to order at 1:30 p.m. with the following members present:

V. Daniel Radford, Chairman
William Moller, Secretary (Proxy for Joe Gray, Acting Finance Director)
Dave Rager, Acting City Manager
Charlie Luken, Mayor
Elliott Ruther, (proxy for John Cranley)
Joe Harrison
Ely Ryder
Brian Pickering
Marijane Klug

Member/s Absent
Michael Rachford

The Chairman changed the order of business for Ms. Julie Bissinger, Chief Counsel of the City Solicitor's Office, to administer the oath of office to Mr. Rager, who was sworn in as a member to the Board of Trustees.

The Chairman called for a motion to approve the minutes of the September 1, 2005 Board Meeting. Mr. Moller made a note of two grammatical changes, 1st item - Medicare Part D, change wording to: first mailing; and the 2nd item - (Pending Business), referring to the CRS plan, change wording to over-mature. The motion to approve the minutes as amended, was made by Mr. Moller, seconded by Mr. Pickering and carried by the Board. The items were corrected to the minutes and approved as prepared by the Secretary.

BENEFITS COMMITTEE

Mr. Harrison reported that the Benefits Committee met on September 29, 2005, at 2:00 p.m. in Committee Room B. Mr. Harrison informed the Board that the Parman Group (which provided evaluations for disability applicants) has gone out of business. Mr. Moller indicated that staff will have to send out RFP's to find a replacement for this service. In the meantime, an emergency back-up will have to be used so disability applications can continue to be processed. Mr. Harrison presented the following report to the Board.

1. Application for Ordinary Retirement October 9, 2005: Total – 5

NO.	NAME	DEPARTMENT
43058	Jerry Thompson	Recreation
43807	Harold Beach	University of Cincinnati
43811	Beverly Reese	University of Cincinnati
49050	Douglas Carr	Water Works
51873	Judith Daniels	Health

2. Application for Retired Members Deaths: Total – 16

3. Application for Ordinary Disability Retirement: Total - 1

NO.	NAME	DEPARTMENT
48968	Mary Johnson	Water Works

Mr. Harrison moved that the Board accept the report of the Benefits Committee. The motion was seconded by Mr. Ryder and carried by the Board.

INVESTMENT COMMITTEE

Mr. Moller reported that the Investment Committee did not meet in September. Mr. Moller commented that the Investment Committee would be meeting on October 7, 2005. Representatives from National City Bank will be providing the Committee with an educational presentation on index investments.

Mr. Pickering suggested the Investment Committee change the regular monthly meetings to a date that would precede the monthly Board meeting so there is not an entire month between these meeting dates. Mr. Radford suggested the Board hold this issue for a month to give everyone a chance to check their calendars and determine if a new meeting date could be set.

SECRETARY'S REPORT

Mr. Moller reported that as of August 31, 2005 the asset level of the fund was \$2.42 billion, a year-to-date decrease of about 1.2%. In the last twelve-month period, the asset level has increased about 7%. Mr. Moller also commented that the asset allocation of the investment portfolio is within the target bands defined in the asset allocation policy.

Mayor Luken asked if asset levels need to increase by the 8.75% assumed rate of return in order to meet the actuarial assumptions for the year. If so, the fund is well short of the projection. The retirement staff indicated that about \$12 million is removed from the fund each month in order to meet pension payroll and healthcare costs, and these withdrawals are accounted for in the asset level increase of 1.2%. The retirement staff indicated that year-to-date investment returns of the total fund as of September 30, 2005 were approximately 5%

Mayor Luken commented that he is concerned about the financial health of the retirement system, and that he would like to have another Board vote on implementing the 80/20 health plan before his term expires. The Mayor commented that he does not want to be accused in the future of doing nothing to solve the financial problems facing the retirement system.

Mr. Ryder commented that the 5% year-to-date returns would project to about 7% at year-end, which is not too far below the 8.75% assumed return. Mr. Ryder acknowledged that the healthcare costs are a great concern, and indicated that he has some recommendations that could help the situation.

The Secretary submitted the following report:

1. Resolution for Enrollment of New Members – Total: 35
2. Resolution for Return of Contributions & Death Benefits–
Total: 54 Amount: \$220,757.88
3. Resolution for Loans to Members – Total: 50 Amount: \$458,555.24
4. Report on Deaths of Pensioned Members – Total: 16
5. Resolution for Military Service Credit - Total: 2

The Secretary submitted the following vouchers for payment:

PAYEE	AMOUNT
Business Information Solutions Inc. – Storage of CRS files	\$99.32
International Foundation – CAPP Registration fee for Brian Pickering	\$845.00
All Star Personnel Inc. – Temporary Personnel Services	\$1,360.96
City of Cincinnati Printing Services – Charges for Stores, Printing & Postage	\$3,318.77
ABS Business Products, Inc. – Monthly Rental Base Rate for Copier	\$180.60
Parman Group, Inc. – Professional Services Rendered - Disability Evaluations	\$700.00
All Star Personnel Services Inc. – Temporary Personnel Services	\$2,291.13
Mae Consulting Inc. – Professional Services Rendered	\$20.00
Pension Consulting Alliance – Professional Services Rendered	\$60,000.00
International Foundation – CAPP Registration fee Part II for Brian Pickering	\$845.00
John Walsh – Reimbursement for costs incurred at the Kingsgate Conference Center Luncheon for the Board of Trustees Meeting 9/1/05	\$1,667.68
City of Cincinnati Finance Accounts & Audits – Medical Insurance 3 rd Qtr.	\$10,963.33
All Star Personnel Inc. – Temporary Personnel Services	\$659.00
Smith Barney Consultants – Professional Services Rendered	\$69,951.00
City of Cincinnati Printing Services – Printing & Postage charges	\$2,375.90
Ohio Book Store, Inc. – Binding of 2003 Board Minutes	\$100.00
The Bank of New York – Custodial Fees for 4/1/05 - 6/30/05	23,371.65
Business Information Solutions, Inc. – Storage of CRS files	\$74.88
All Star Personnel Inc. – Temporary Personnel Services	\$666.09
State Teachers Retirement System – Reciprocity Transfers for Prior Service Credit	\$27,170.90

Ohio Public Employees Retirement System – Reciprocity Transfers for Prior Service Credit	\$95,229.93
State Teachers Retirement System – Reciprocity Transfers for Prior Service Credit	\$8,947.33
Ohio Police & Firemen’s Pension Fund – Reciprocity Transfers for Prior Service Credit	\$33,431.10

The Secretary reported that at the close of business September 30, 2005, there was in the Treasury to the credit of the Retirement System the amount of \$2,695,113.99.

Asset Valuation:

- December 31, 2004: \$2.40 billion
- August 31, 2005: \$2.42 billion
- YTD Increase (Decrease): 1.18%

Current Asset Allocation: (Policy Objective)

- Domestic Equity: 51.3% (50%)
- International: 14.4% (13.5%)
- Fixed Income: 33.0% (33.5%)
- Alternative Assets/Treasury Cash: 1.3% (3%)

PENDING BUSINESS

Asset/Liability Study

Mr. Moller submitted the following motion related to the Asset/Liability study:

“I move that our investment consultant, in conjunction with CRS staff, determine the steps needed to implement the model asset allocation resulting from the aggregate decision factor ratings reflected in the CRS Board of Trustee meeting minutes dated 9/1/05 within 60 days.”

The motion was seconded by Ms. Klug, and after discussion, the motion passed unanimously by the Board.

Manager Fee Savings

Mr. Radford indicated that a letter was sent to all CRS investment managers requesting a reduction in their fee structures. With the exception of PIMCO, responses have now been received from all managers. The retirement staff reported that five managers agreed to fee reductions of 10% to 20%. It is estimated that this will save the CRS about \$260,000 each year in investment management fees.

Mr. Radford asked the retirement staff to follow up with PIMCO for their response, and also commented that the investment consultant should review our manager fee structures relative to our peers.

Medicare D

Mr. Moller reported that an information packet on Medicare D was sent to all Medicare eligible retirees in September. Mr. Moller commented that the majority of CRS retirees should take no action as the prescription drug benefits provided by the CRS are better than the benefits that will be provided under Medicare D. However, there may be some benefits to lower income retirees to enroll in the Medicare D. Mr. Moller also indicated that the retirement staff and representatives from Mercer would be presenting information on Medicare D at the CMERA meeting on October 15, 2005.

Strategic Plan

Mr. Radford suggested the Board bring in an outside consultant to assist in the development of a strategic plan for the CRS. This would probably require issuing a request for proposal for this service. Mr. Pickering indicated that he is familiar with a person that has a background with both retirement system administration and development of strategic planning. Mr. Pickering agreed to extend an invitation to that person to make an educational presentation to the Board on developing a strategic plan.

Public Comments

CRS retiree Denny Davis indicated that he was surprised by Mayor Luken's request to hold a Board vote on the 80/20 healthcare plan. Mr. Davis suggested the Board not focus solely on retiree healthcare in their plans to improve the financial health of the CRS. Mr. Davis also commented that the experts who are projecting lower investment returns in future years are frequently wrong when making these types of forecasts, and he believes the 8.75% assumed rate of return could well be achieved in future years. Mr. Davis noted that long-term CRS returns, although short of their benchmark, have well exceeded the 8.75% rate of return.

ADJOURNMENT

Upon request of the Chairman for a motion to adjourn, the motion was made by Mr. Moller, seconded by Mr. Harrison and carried by the Board. The meeting was adjourned at approximately 2:05 p.m.